

Department of Social and Health Services

DP Code/Title: PL-WJ HIPAA Privacy Rule

Agency Wide

There are 9 Programs in this DP

Budget Period: 2003-05 Version: 11 2003-05 Agency Request Budget

Recommendation Summary Text:

Program(s): 010 030 040 050 060 070 080 110 150

This decision package requests funding to assure compliance with the federal Health Insurance Portability and Accountability Act (HIPAA) Privacy Rule. It requires that "individually identifiable health information" be kept confidential and that access is secure across the department.

Fiscal Detail:

Operating Expenditures

	<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Overall Funding			
001-1 General Fund - Basic Account-State	673,000	666,000	1,339,000
001-2 General Fund - Basic Account-Federal	26,000	25,000	51,000
001-A General Fund - Basic Account-DSHS Fam Support/Chi	259,000	259,000	518,000
001-C General Fund - Basic Account-DSHS Medicaid Federa	482,000	484,000	966,000
001-D General Fund - Basic Account-TANF (DSHS)	15,000	14,000	29,000
001-E General Fund - Basic Account-CCDF (DSHS)	14,000	13,000	27,000
Total Cost	1,469,000	1,461,000	2,930,000

Staffing

	<u>FY 1</u>	<u>FY 2</u>	<u>Annual Avg</u>
Agency FTEs	10.5	10.5	10.5

Package Description:

Program(s): 010 030 040 050 060 070 080 110 150

HIPAA was signed into law August 1996. This reform covers health care fraud and abuse prevention, medical liability reform, and administrative simplifications. Administrative Simplification is being implemented in three rules. This package requests funding to be in compliance with rule two, Privacy, by the implementation date of April 14, 2003. It should be noted that the privacy rule overlays the entire administrative simplification act.

Currently, Washington State operates under the Uniform Health Care Information Act (Chapter 70.02 RCW) and Executive Order 00-03 to protect personal information. The HIPAA privacy rule sets the floor for national privacy protections by protecting individually identifiable health information maintained or transmitted by DSHS and it gives clients more control over how their health information is used and disclosed. Both the Governor's Executive Order 00-03 and the HIPAA privacy rule require the appointment of a privacy officer and establishment of a privacy complaint process.

Implementation of the privacy rule is a tremendous undertaking for the Department of Social and Health Services (DSHS). It requires cultural and system changes in the way DSHS conducts business operations. DSHS must determine how health information is currently used and disclosed in the agency, and what additional protections are necessary for compliance. DSHS then must implement and maintain those changes. The privacy rule will be updated at the federal level and any changes will require continued tracking, analysis, and timely implementation to remain compliant. Several changes to the privacy rule are now underway.

After the rule is implemented on April 14, 2003, DSHS must continue to support the HIPAA privacy rule practices and ensure that all new DSHS employees are properly trained.

Narrative Justification and Impact Statement

How contributes to strategic plan:

Program(s): 010 030 040 050 060 070 080 110 150

This decision package meets the agency balanced scorecard goal of integrating and coordinating information systems.

Department of Social and Health Services

DP Code/Title: PL-WJ HIPAA Privacy Rule

Agency Wide

There are 9 Programs in this DP

Budget Period: 2003-05 Version: 11 2003-05 Agency Request Budget

Performance Measure Detail

Goal: 28Z Integrate and coordinate information systems

Incremental Changes

Outcome Measures

FY 1

FY 2

tz4 DSHS will be 90% compliant with HIPAA Rule 2

90%

98%

tz4 DSHS will be 90% compliant with HIPAA Rule 2

90%

98%

No measures submitted for package

No measures submitted for package

No measures submitted for package

No measures submitted for package

No measures submitted for package

No measures submitted for package

No measures submitted for package

Reason for change:

Program(s): 010 030 040 050 060 070 080 110 150

Compliance with the HIPAA privacy rule is a federal mandate. Inability to comply with this rule will create substantive barriers in conducting day-to-day business with medical providers, business associates and partners who serve department clients. Clients have new rights under this rule and the new, higher standard must be achieved.

Failure to become or remain compliant puts DSHS at risk for civil and criminal penalties. Such penalties applied by the Department of Health and Human Services are substantial:

Civil Penalties

If a covered entity violates the privacy rule it may be penalized up to \$100 for each violation, not to exceed \$25,000 per year for each requirement violated.

Criminal Penalties

There are three types of wrongful disclosures criminal penalties:

a) Knowing only, a \$50,000 fine, 1 year imprisonment, or both;

b) False pretenses, a \$100,000 fine, 5 years imprisonment, or both;

c) Use for commercial or personal gain or malicious harm, a \$250,000 fine, 10 years imprisonment, or both.

Impact on clients and services:

Program(s): 010 030 040 050 060 070 080 110 150

Maintaining compliance with the HIPAA Privacy Rule after implementation will improve client relationships and ensure that clients are able to disclose health information without fear of a privacy breach. This rule gives clients more control over how their health information is used and disclosed. DSHS clients are likely supporters of the rule, which covers over 920,000 clients. Over 45,000 medical providers that serve DSHS clients will be required to comply with the privacy rule.

Impact on other state programs:

Program(s): 010 030 040 050 060 070 080 110 150

Maintaining compliance with the HIPAA Privacy Rule impacts all DSHS administrations. Approximately 18,000 DSHS employees are affected.

Other state agencies impacted by the HIPAA Privacy Rule include: Department of Health, Health Care Authority, Department of Corrections, Veterans Affairs, and the Department of Labor and Industries.

Relationship to capital budget:

Program(s): 010 030 040 050 060 070 080 110 150

Not applicable

Department of Social and Health Services

DP Code/Title: PL-WJ HIPAA Privacy Rule

Agency Wide

There are 9 Programs in this DP

Budget Period: 2003-05 Version: 11 2003-05 Agency Request Budget

Required changes to existing RCW, WAC, contract, or plan:

Program(s): 010 030 040 050 060 070 080 110 150

The HIPAA Privacy Rule may require DSHS to adopt administrative rules for clients. DSHS will also have to ensure that all the requirements are followed to avoid sanctions and fines for non-compliance.

Over 14,000 department contracts are affected and must be modified to address HIPAA requirements.

Alternatives explored by agency:

Program(s): 010 030 040 050 060 070 080 110 150

Implementation of the HIPAA Privacy Rule is a federal mandate. There are no other alternatives available to DSHS except to risk paying fines or penalties for non-compliance. As such, the department is taking an enterprise approach to privacy implementation to assure uniform compliance and to minimize long-term costs for compliance. For example, a uniform computer-based training package will be developed to meet training requirements.

Budget impacts in future biennia:

Program(s): 010 030 040 050 060 070 080 110 150

The HIPAA privacy rule will impact future biennial expenditures. Routine changes to the privacy rule are anticipated. Initial and on-going compliance will require changes to agency policy, administrative procedures, WACs, and DSHS business models to assure long-term compliance.

Distinction between one-time and ongoing costs:

Program(s): 010 030 040 050 060 070 080 110 150

One-time cost include project salary and benefits, hardware and software, and implementation.

Ongoing cost include salary and benefits associated with maintaining HIPAA compliance, training, travel, and supplies.

Effects of non-funding:

Program(s): 010 030 040 050 060 070 080 110 150

Failure to become or remain compliant puts DSHS at risk for civil and criminal penalties. Such penalties applied by the Department of Health and Human Services are substantial:

Civil Penalties

If a covered entity violates the privacy rule it may be penalized up to \$100 for each violation, not to exceed \$25,000 per year for each requirement violated.

Criminal Penalties

There are three types of wrongful disclosures criminal penalties:

- a) Knowing only, a \$50,000 fine, 1 year imprisonment, or both;
- b) False pretenses, a \$100,000 fine, 5 years imprisonment, or both;
- c) Use for commercial or personal gain or malicious harm, a \$250,000 fine, 10 years imprisonment, or both.

Non-funding would require DSHS to divert funding from client services to comply with this federal mandate or risk the penalties discussed above.

Expenditure Calculations and Assumptions:

Program(s): 010 030 040 050 060 070 080 110 150

See attachment - AW PL- WJ HIPAA Privacy Rule.xls

Department of Social and Health Services

DP Code/Title: PL-WJ HIPAA Privacy Rule

Agency Wide

There are 9 Programs in this DP

Budget Period: 2003-05 Version: 11 2003-05 Agency Request Budget

<u>Object Detail</u>	<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Overall Funding			
A Salaries And Wages	551,000	557,000	1,108,000
B Employee Benefits	132,000	134,000	266,000
C Personal Service Contracts	178,000	170,000	348,000
E Goods And Services	569,000	569,000	1,138,000
G Travel	31,000	31,000	62,000
J Capital Outlays	8,000	0	8,000
Total Objects	1,469,000	1,461,000	2,930,000

DSHS Source Code Detail

<u>Overall Funding</u>	<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Fund 001-1, General Fund - Basic Account-State			
<u>Sources</u> <u>Title</u>			
0011 General Fund State	652,000	647,000	1,299,000
GFS2 General Fund State TANF Moe	21,000	19,000	40,000
Total for Fund 001-1	673,000	666,000	1,339,000
Fund 001-2, General Fund - Basic Account-Federal			
<u>Sources</u> <u>Title</u>			
566B Refugee & Entrant Assist-St Admin'd Prog(D)(100%)	2,000	2,000	4,000
E61L Food Stamp Program (50%)	24,000	23,000	47,000
Total for Fund 001-2	26,000	25,000	51,000
Fund 001-A, General Fund - Basic Account-DSHS Fam Support/Chi			
<u>Sources</u> <u>Title</u>			
658L Title IV-E-Foster Care (50%)	259,000	259,000	518,000
Total for Fund 001-A	259,000	259,000	518,000
Fund 001-C, General Fund - Basic Account-DSHS Medicaid Federa			
<u>Sources</u> <u>Title</u>			
19TA Title XIX Assistance (FMAP)	127,000	128,000	255,000
19UL Title XIX Admin (50%)	355,000	356,000	711,000
Total for Fund 001-C	482,000	484,000	966,000
Fund 001-D, General Fund - Basic Account-TANF (DSHS)			
<u>Sources</u> <u>Title</u>			
558B Temp Assist for Needy Families (TANF) (100%)	15,000	14,000	29,000
Total for Fund 001-D	15,000	14,000	29,000
Fund 001-E, General Fund - Basic Account-CCDF (DSHS)			
<u>Sources</u> <u>Title</u>			
575B CCDF (Discretionary) (100%)	1,000	1,000	2,000
596A CCDF Match (FMAP)	13,000	12,000	25,000
Total for Fund 001-E	14,000	13,000	27,000
Total Overall Funding	1,469,000	1,461,000	2,930,000

Department of Social and Health Services

DP Code/Title: PL-WJ HIPAA Privacy Rule

Agency Wide

There are 9 Programs in this DP

Budget Period: 2003-05 Version: 11 2003-05 Agency Request Budget

Funding Totals by Program

Dollars in Thousands

<u>Program</u>	FTE's		GF-State		Total Funds	
	<u>FY 1</u>	<u>FY 2</u>	<u>FY 1</u>	<u>FY 2</u>	<u>FY 1</u>	<u>FY 2</u>
010 Children's Administration	3.5	3.5	173	173	559	560
030 Mental Health	4.0	4.0	187	181	324	314
040 Div of Developmntl Disab	0.5	0.5	85	86	145	146
050 Long Term Care Services	1.0	1.0	54	53	105	104
060 Economic Services Admin	0.0	0.0	84	78	171	160
070 Div of Alc/Substnce Abuse	0.0	0.0	3	3	4	5
080 Medical Assistance	1.0	1.0	55	60	108	119
110 Admin & Supporting Svcs	0.5	0.5	32	32	53	53
150 Info SYS Svcs Div	0.0	0.0	0	0	0	0
Grand Total:	10.5	10.5	673	666	1,469	1,461